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# Virginia Landowner

1ST QUARTER 2015 | VOLUME 14 ISSUE 1

**Grant Massie Land Company *sets the standard* in providing Virginia property owners expertise in the wise use of land through Brokerage, Consulting, Appraisal, Management and Development of land and timber.**

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## Turmoil with Oil

By Ned Massie, *ALC, CCIM*

When a market shifts, in either a positive or negative fashion, it can be abrupt and the market always over-reacts. Those two characteristics explain what we have witnessed over the last six months as the price of a barrel of oil has collapsed by approximately 60%.

In order to understand the durability of the price correction in oil, it is important to acknowledge that there are three critical forces that have combined to bring about this price adjustment in the oil market:

1. **America has been producing more oil over the last several years, and now imports approximately one-half of the amount that it imported a decade ago;**
2. **The global economic slowdown in general has reduced the demand for oil further creating supply in excess of demand;**
3. **And the American dollar has strengthened, which puts additional downward pressure on the price of a barrel of oil since oil is priced in American dollars.**

By focusing on oil, one would easily miss the fact that there is a significant downdraft in other commodity prices. The reduction in commodity prices reflects a variety of forces including the probable economic slowdown in China being greater than official numbers from its communist government. That downdraft is heightened by the fact that as a communist country China lacks the economic marketplace feedback systems of a capitalistic society.

China has been producing far more finished goods from commodities than the world needs. Part of that has been the central government's use of their banking system to fund construction of industrial plants, cities that are unneeded, roads to nowhere, etc. Perhaps they are finally running out of places to put things that no one needs.

The ripple effects of the abrupt reduction in the price of commodities will be damaging to related industries, some financial institutions, some countries that depend on exports of commodities, etc. There is no good way to estimate the impact of this economic shift but they will be substantial.

At the same time to the American consumer, the reduction in commodity prices means that the consumers will pay less for finished goods, including gasoline. Estimates of the reduction in cost per household range from $500 to $1,000 per year, in some cases it may be higher. But the bottom line is that a lower gasoline price is the equivalent of an enormous tax decrease without the American government increasing its debt.

With 70% of the American economy based on the consumer, the additional money in each household's pocket will mean increased purchase of consumer goods. Early indications indicate that restaurants and entertainment are benefiting the most. But the effects will course through our American economy. Since it takes nine to twelve months for economic shifts to show up in the economy, we should look for the maximum impact to show up in the American economy in the second half of 2015.

At the end of calendar year 2014, our Grant Massie Land Company database demonstrated that while there are some land market segments which have not recovered, other segments have recovered to what would have been considered "normal" prior to The Bubble Years. Activity in the recovered segments is increasing, but the market continues to be extremely price–sensitive.

Our recommendations for 2015 are as follows:

1. **If you have too much of your investment portfolio in land, 2015 is the year to sell so that you can have some cash to reinvest in front of a future land market trend;**
2. **If you want to make an investment that will prosper in the economic climate of the next several years, the acquisition of a tract of high quality land in a carefully selected market segment will demonstrate returns in excess of other investments in the marketplace.**

Call us. We love to help our clients look brilliant even in times of TURM**OIL**.

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## FEATURED LAND & TIMBER LISTINGS

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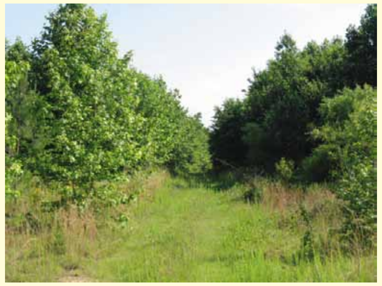
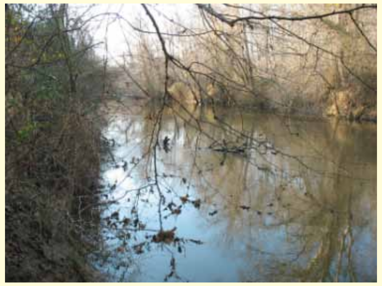
$163,000
Landline #2217

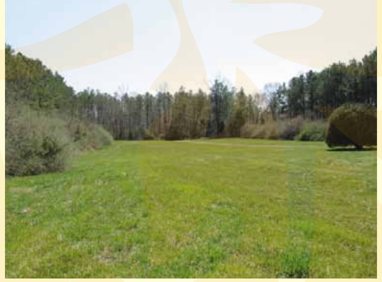
142.6 Acres in Halifax
$235,290
Landline #2233



171 Acres in Lunenburg
$285,000
Landline #2239



275 Acres in Cumberland
$405,625
Landline #2179



198 Acres in King & Queen
$560,000
Landline #2229

513 Acres in Caroline
$1,150,500
Landline #2170